

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: UNITED CITIES GAS COMPANY, A DIVISION OF ATMOS ENERGY CORPORATION	DOCKET NOS. PGA-01-14 PGA-01-19
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**ORDER DIRECTING ADDITIONAL RESPONSES AND DOCKETING APRIL 2001
PURCHASED GAS ADJUSTMENT FILING**

(Issued April 30, 2001)

On March 28, 2001, the Utilities Board (Board) issued an order docketing the March 2001 purchased gas adjustment (PGA) filing of United Cities Gas Company, a division of Atmos Energy Corporation (United Cities), for further review. In the order the Board directed United Cities to respond to certain questions concerning the calculation of the PGA rate for March 2001. The filing was identified as Docket No. PGA-01-14. The Board also gave notice to United Cities that it was in violation of Board rule 199 IAC 19.10 with regard to its March PGA filing and directed United Cities to file the April 2001 PGA filing in compliance with that rule.

On April 2, 2001, United Cities filed a response to the order, and on April 13, 2001, United Cities filed responses to the Board's questions. After a review of the information provided by United Cities in the responses the Board finds that it needs additional information concerning the calculation of the Rb factor before it can address whether United Cities has complied with Board rules. United Cities did not provide estimations of the Rb factor through the end of the PGA period, August 2001, and only recorded the actual values that were available. In order to make a thorough

review of United Cities' April PGA filing, and subsequent filings, the Board will need the estimations of costs and revenues for the remaining months in the PGA period. By this order the Board is directing United Cities to provide the additional information.

On April 2, 2001, United Cities filed its April 2001 PGA filing. From the review of the April PGA filing, the Board finds that United Cities has misunderstood the language in 199 IAC 19.10(1) concerning the calculation of the Rz, storage rate, factor. The rule defines Rz as "the weighted average of applicable storage services rates to be in effect September 1 corresponding to purchases Z." From the responses provided it appears that United Cities uses a First-In-First-Out (FIFO) accounting methodology for its natural gas books and records. It also appears from the responses that United Cities interpreted the definition of the Rz factor to require a weighted average accounting of storage service rates.

The Board requires that a company use the same accounting methodology for storage rates in its PGA as it does for its books and records. It appears that United Cities calculated a weighted average of its entire storage inventory rather than using the FIFO method applied to those volumes related to that month's (or year's) usage. The Rz factor definition contemplates that a utility takes storage from multiple sources. A utility would then apply its accounting methodology to the cost of gas from each storage source and then weight each source. If there is only one source, then the weighting applied to gas cost from the one source is 100 percent. Thus subrule 199 IAC 19.10(1) requires that United Cities take the FIFO storage service rates as shown on the company's books that are applicable to the storage used in the month (or year) of the PGA calculation.

The Board believes it is possible that some of the overcollection for the March and April 2001 PGAs may have been caused by this difference in accounting methods. The calculation of the storage rate should be consistent with the company's books and records, and should only include storage volumes relevant to the current time period. United Cities should follow the above method of calculating its storage for the May 2001 and subsequent PGA filings.

To allow for further review of United Cities' PGA filings the Board will docket the April 2001 filing, Docket No. PGA-01-19.

IT IS THEREFORE ORDERED:

1. United Cities Gas Company shall, on or before May 4, 2001, provide the following information:
2. Provide a revised calculation of the Rb factor including estimations and actual cost and revenues, where available, from September 2000 through August 31, 2001.
3. United Cities Gas Company shall file the Rz calculation in the May 2001 and subsequent PGA filings as described in this order.
4. Docket No. PGA-01-19 is docketed for further review.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 30th day of April, 2001.